



# M A R Y L A N D OPPORTUNITY ZONES



## OPPORTUNITY ZONE LEADERSHIP TASK FORCE

**April 24, 2019**  
**Indian Head Pavilion**  
**100 Walter Thomas Road, Indian Head MD**  
**20640**



OPPORTUNITY  
**ZONE** LEADERSHIP  
TASK FORCE

## AGENDA

1. Welcoming Remarks by Mayor Brandon Paulin
  2. Introduction from Lt. Governor Rutherford and Introduction of Members
  3. Approval of Minutes from March 14, 2019 Meeting
  4. DHCD Information Exchange live presentation – Frank Dickson
  5. Public comment – Question & Answer
    - Elected Officials
    - County Economic Developers
    - General Public
- 
1. Next Regional Meeting – Baltimore City (Mid-May)
  2. OZ Important Links:
    - Task Force contact Email: [MD.OpportunityZones@maryland.gov](mailto:MD.OpportunityZones@maryland.gov)
    - Lt. Governor's webpage: [ltgovernor.maryland.gov/opportunityzones](http://ltgovernor.maryland.gov/opportunityzones)
    - DHCD information exchange: [dhcd.maryland.gov/OpportunityZones](http://dhcd.maryland.gov/OpportunityZones)
  3. Closing Remarks by Lt. Governor

- **December 2017** H.R. 1 - Opportunity Zone Legislation passes
- **March 2018** Governor Hogan submits nominated OZs
- **June 14, 2018** US Treasury designates Maryland's 149 Opportunity Zones
- **July 30, 2018** DHCD / Commerce hold Opportunity Zone Conference
- **October 18, 2018** IRS Guidance
- **January 3, 2019** Governor Hogan announces OZ Initiatives & Launch of OZ Info-Exchange
- **February 20, 2019** Governor's OZ Leadership Task force – Kickoff meeting
- **February 22, 2019** Closed NBWOZ loan to Clene Nanomedicine, Inc.
- **March 14, 2019** Governor's Regional OZ Meeting - Salisbury, MD
- **April 17, 2019** IRS Guidance – REG-120186-18
- **April 24, 2019** Governor's Regional OZ Meeting - Indian Head, MD
- **May 2019** OZ Task Force meeting to be held in Baltimore City
- **Summer/Fall 2019** IRS Guidance – Reporting and loose ends

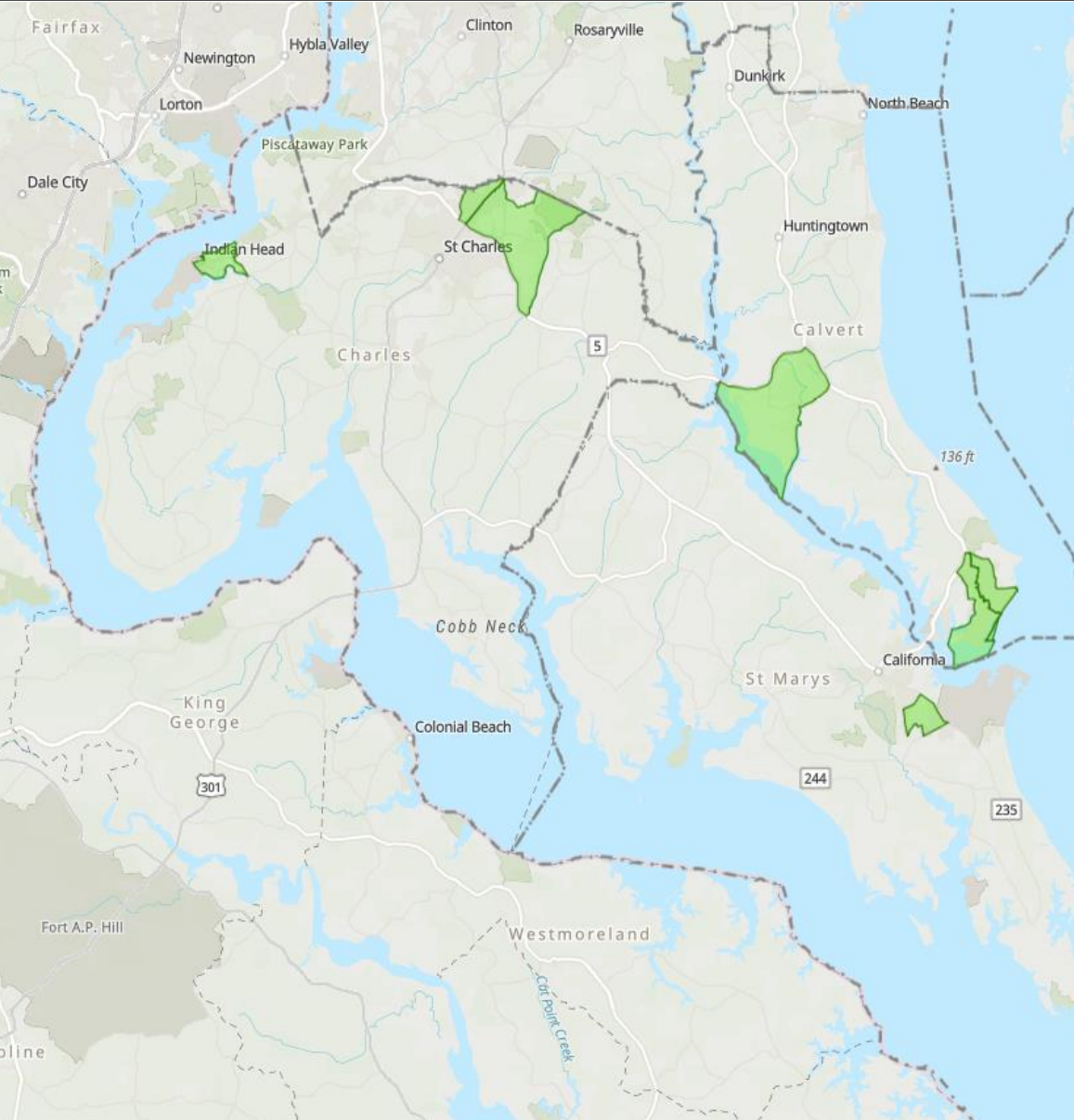
## Governor Hogan signed Executive Order 01.01.2019.01

***“Creates Maryland Opportunity Zone Leadership Task Force chaired by Lt. Governor Rutherford.”***

- Hosts regional summits for local stakeholders input
- Develops a plan to optimize federal, state and local investment

## OZ Legislative / Funding - “More Opportunities for Maryland” - \$56M proposed funding

- COMMERCE – “More Jobs for Marylanders” - Tax credits for creating new jobs / expanding job in OZs
- LABOR - Workforce training
- HOUSING – Grants & loans
  - Rental Financing, Strategic Demolition, Neighborhood Business Works



County	# of OZs	Cities
Charles	3	Indian Head, Waldorf
Calvert	1	Prince Frederick
St Mary's	2	Lexington Park
<b>Total OZs</b>	<b>6</b>	



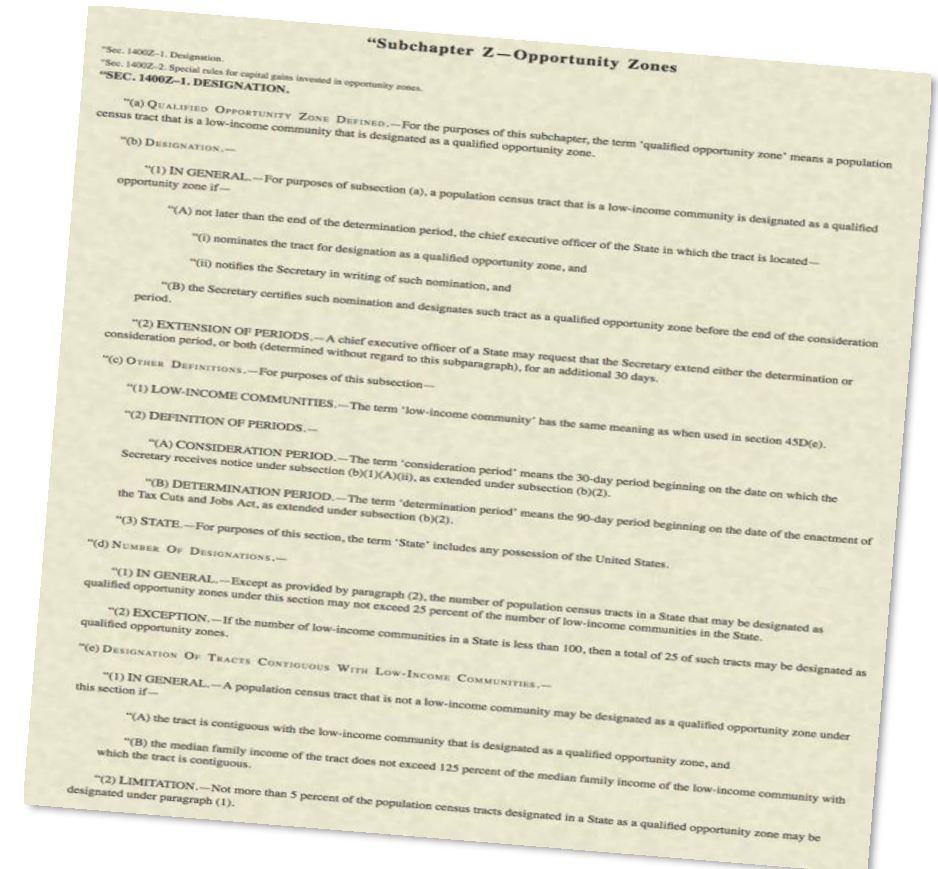
<u>Jurisdiction</u>	<u># of OZs</u>	<u>Business / Project Name</u>	<u>Type</u>	<u>Description</u>	<u>City</u>
Calvert	3	Patuxent Business Park	Office	PATUXENT BUSINESS PARK in Calvert County Maryland. Join others currently under contract to build on shovel-ready acreage in Southern Maryland. Water and sewer, natural gas, fiber. OPPORTUNITY ZONE LAND has multiple sites available, local, state and federal incentives. FAST TRACK for building permits is in place, ready for your new project!	Lusby
Calvert		Grey Ops	Mfg.	Grey Ops owns the licensing rights to a product called "Silent Spring." The Silent Spring product incorporates a novel Improvised Explosive Device (IED) neutralizing technology. When poured onto primary explosives, the Silent Spring product immediately mitigates the risk associated with explosive blasts and allows for the safe transportation of volatile substances to forensic laboratories.	Lusby
Charles	2	Waldorf Center	Mixed Use	This planned, mixed-use property has over 18 acres available for development for uses including office, medical, flex space, hotel, restaurants, and multi-family. Waldorf Center is home to the Marriott Residence Inn and numerous medical and professional services firms. Certified site eight-month delivery is available for a new, fully permitted, 20,000-square-foot Class A building.	Waldorf
St. Mary's	1	Class A Business Park located on a 9.85 Acre Parcel Zoned Medium Intensity Mixed Use in Lexington Park, MD	Mixed Use	Class A Business Park located on a 9.85 Acre Parcel in Lexington Park, MD Zoned Medium Intensity Mixed Use Lexington Park is home to Naval Air Station Patuxent River, where \$40 billion of Navy procurement, research, development, test and evaluation takes place every year	Lexington Park

## Background on Opportunity Zones



Opportunity Zones will help connect low-income communities with needed capital.

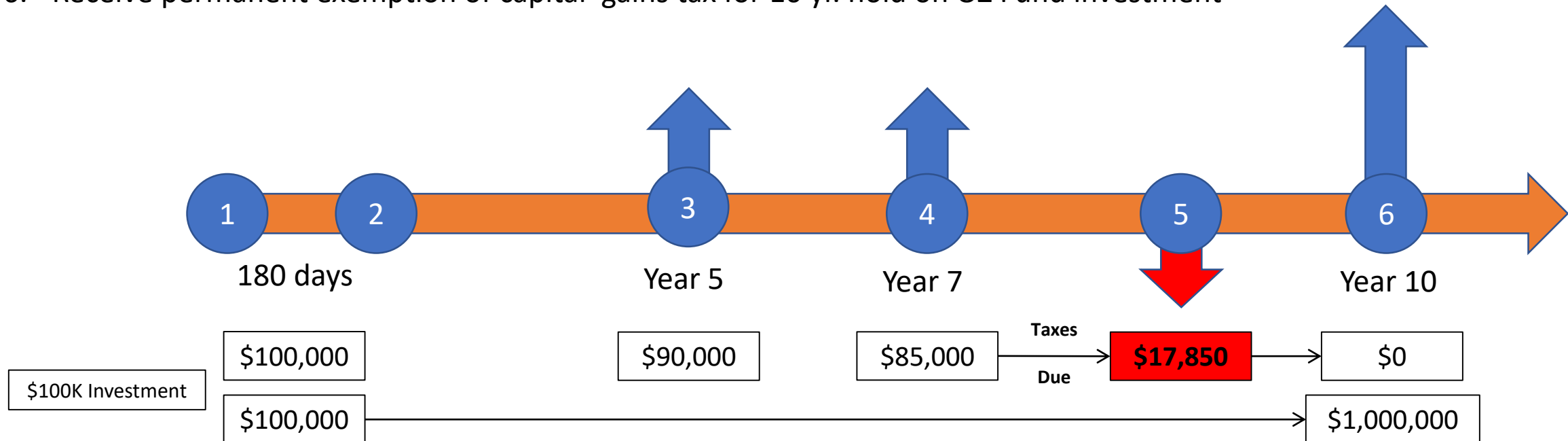
- **Capital** – U.S. households and corporations were sitting on an estimated **\$6.1 trillion** in unrealized capital gains at the end of 2017.
- **Connect** – Opportunity Zones offer a frictionless way for investors to dedicate all or a portion of their winnings to seeding the next generation of enterprise in distressed communities all across the country. In exchange, investors get a graduated series of federal tax incentives tied to **long-term holdings**.



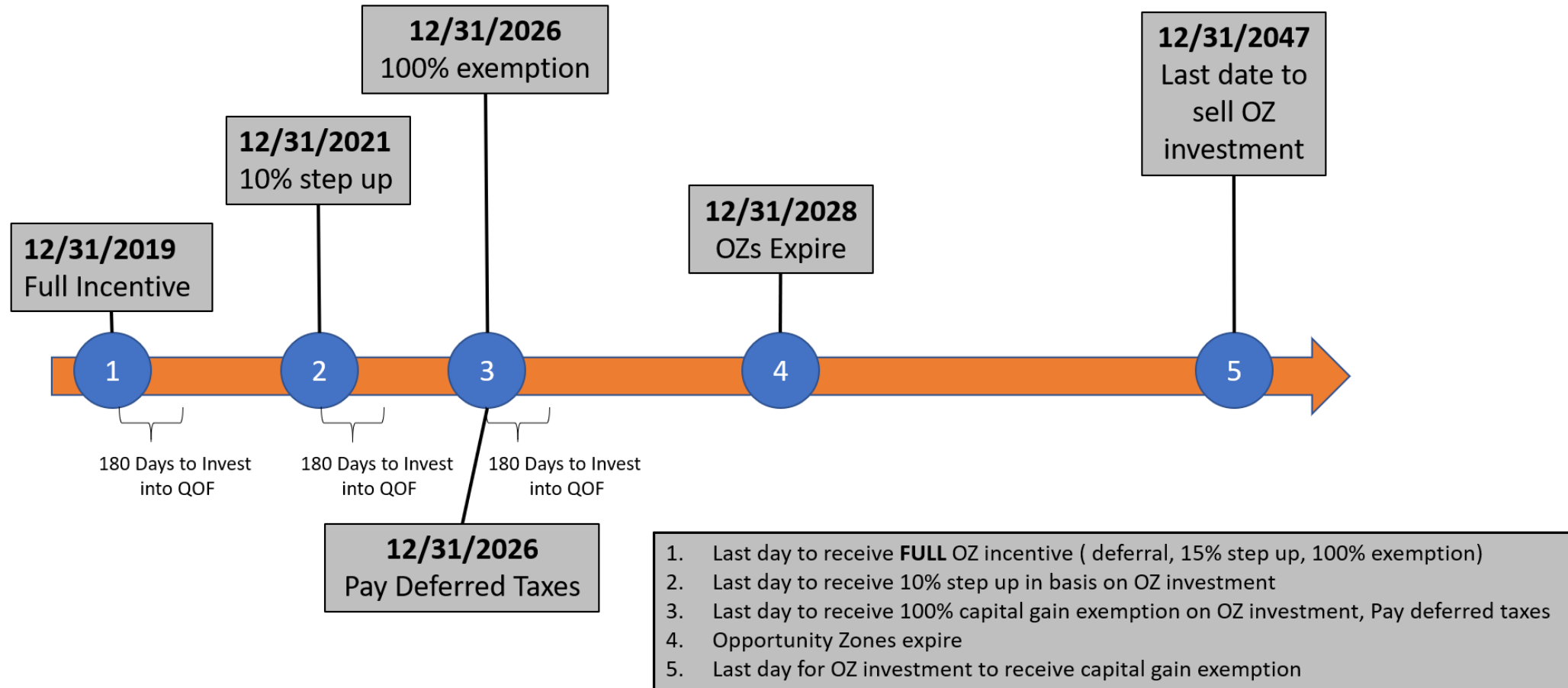
Source: EIG analysis of the Federal Reserve's Survey of Consumer Finances and Financial Accounts of the United States



1. Realize gain from any capital gain triggering event
2. Invest in OZ Fund within 180 days
3. Receive 10% step up basis for 5 yr. hold of OZ Fund investment
4. Receive additional 5% step up basis for 7 yr. hold of OZ Fund investment
5. Pay deferred capital gain taxes due for Step 1(85% of original ) by 12/31/2026
6. Receive permanent exemption of capital gains tax for 10 yr. hold on OZ Fund investment



# OZ Incentive Timeline



## Investors

- Most valuable for 10 year investments in appreciating assets
- Six months to invest after realizing a capital gain
- Another six months to deploy 90% of capital in Zones
- Capital is required to be an equity investment

## Funds

- All capital must flow through an Opportunity Zone Fund
- Opportunity Zone Funds must be established
- Opportunity Zone Funds are self-certified via an IRS tax form
- 90% of fund assets must be invested in Opportunity Zone

## Investments

- Must be equity investments
- Real estate investments must include substantial rehabilitation
- “Sin businesses” are not eligible
- Other requirements include property use in “active conduct of business” and limits on assets held in cash



**Investor**  
(Capital Gain)



180 days



**OZ Fund**  
(Partnership / Corporation)



180 days



**Tech Startup**

- Realize gain from any capital gain triggering event
- Investor elects for deferral by completing IRS **Form 8949**
- Invest into OZ fund within 180 days

- Invest 90% of funds into QOZB
- Funds self certify with IRS **Form 8996**
- Annual Reporting

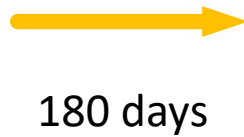
- 50% Revenue within OZ
- 70% Assets within OZ
- <5% of assets in cash
- Not a “sin business”
- Substantial portion of intangible property is used in the active conduct of the business

## Benefits:

- 5 YR HOLD - tax deferral, 10% step up
- 7 YR HOLD – tax deferral, 15% step up
- 10 YR HOLD – tax deferral, 15% step up, 100% cap gain exemption



**Investor**  
(Capital Gain)



**OZ Fund**  
(Partnership /  
Corporation)



**Single Asset**  
**Real Estate**

- Realize gain from any capital gain triggering event
- Investor elects for deferral by completing IRS **Form 8949**
- Invest into OZ fund within 180 days

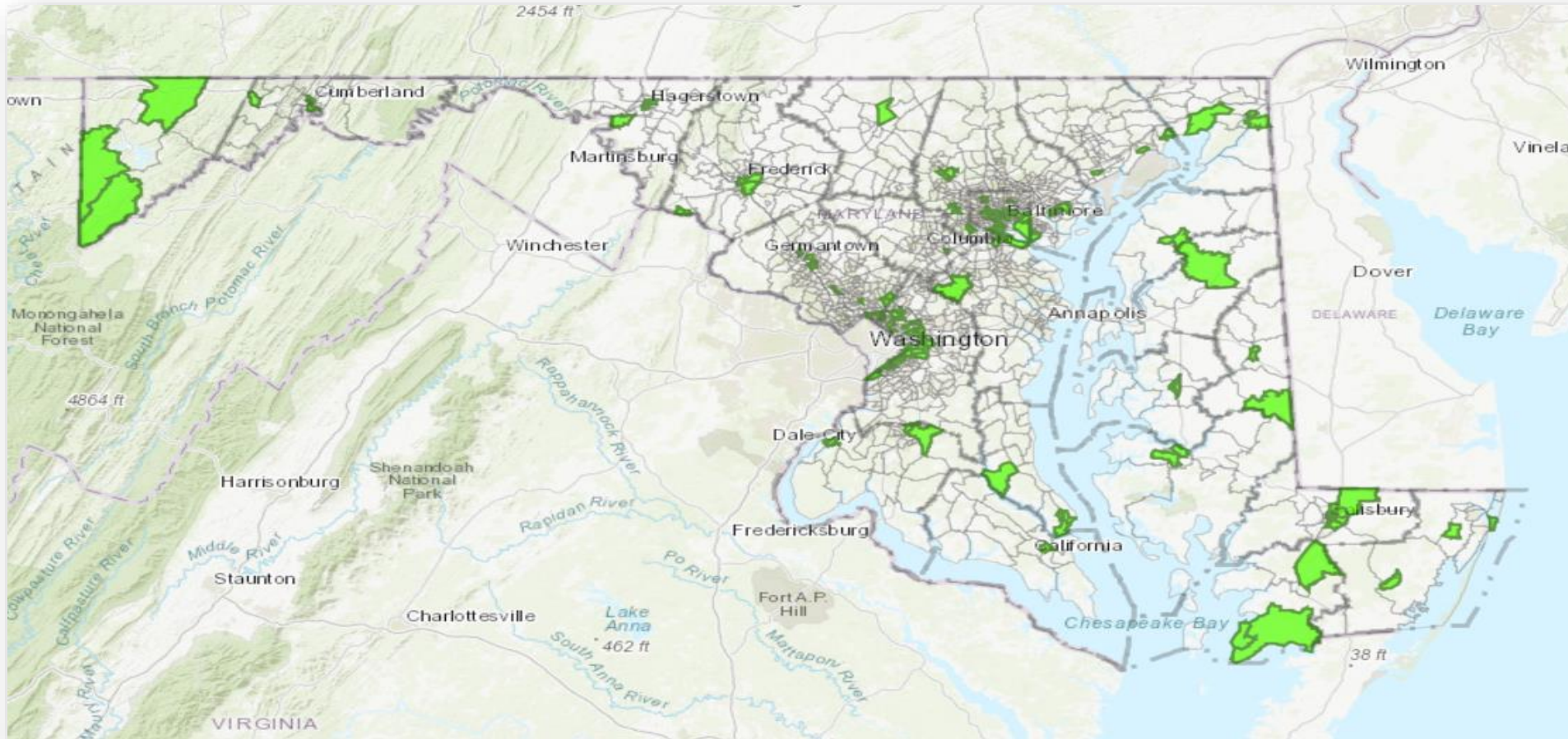
- Invest 90% of funds into QOZB
- Funds self certify with IRS **Form 8996**
- Annual Reporting

- Substantially Improve real estate ( 100% of Building value)
- 31 month written expenditure plan for cash invested

### Benefits:

- 5 YR HOLD - tax deferral, 10% step up
- 7 YR HOLD – tax deferral, 15% step up
- 10 YR HOLD – tax deferral, 15% step up, 100% cap gain exemption

# Maryland Opportunity Zones



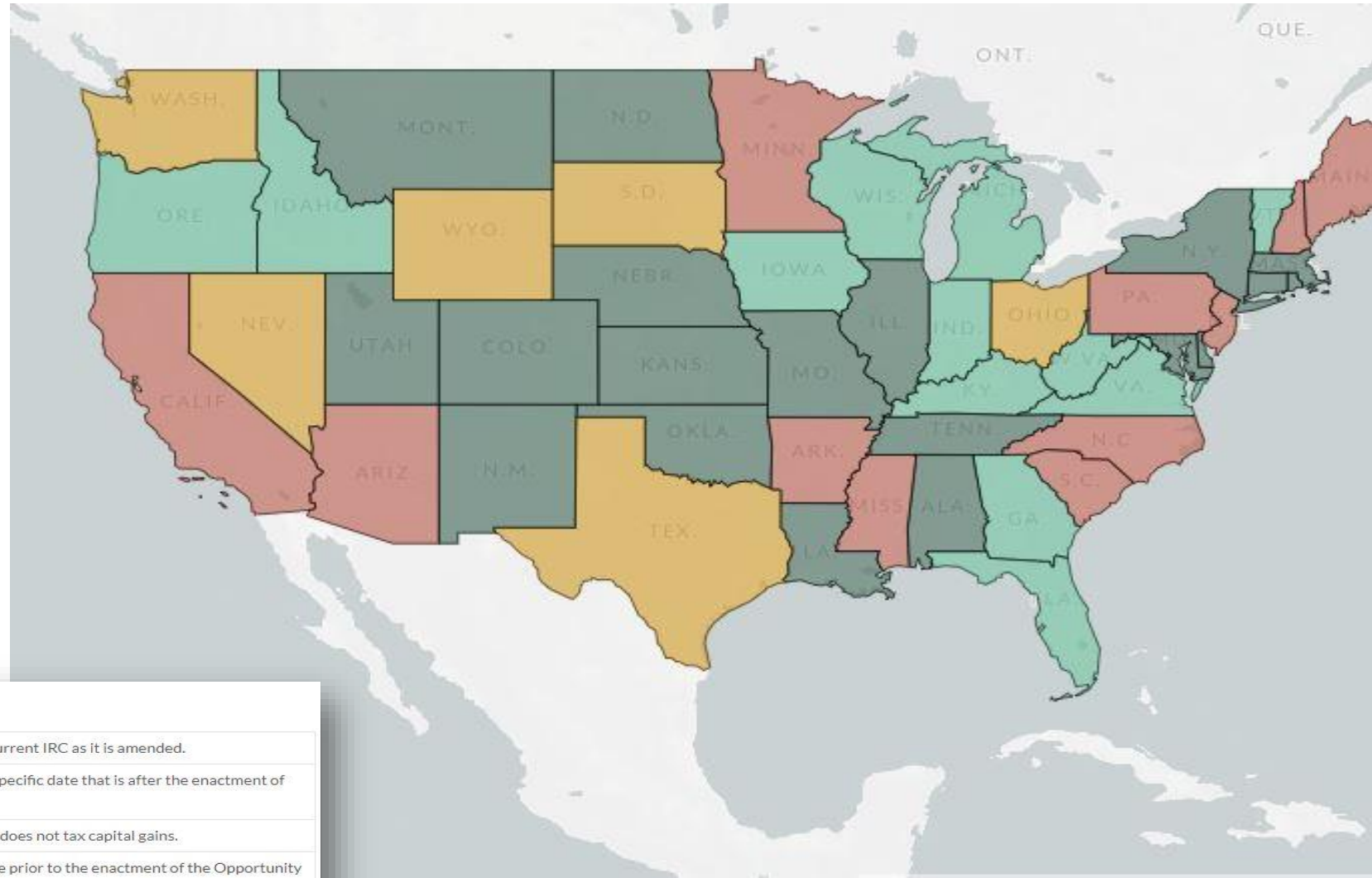
# of Designated Opportunity Zones	
County	
Allegany	4
Anne Arundel	4
Baltimore County	10
Baltimore City	42
Calvert	3
Caroline	2
Carroll	1
Cecil	3
Charles	3
Dorchester	2
Frederick	5
Garrett	3
Harford	4
Howard	1
Kent	1
Montgomery	14
Prince George's	25
Queen Anne's	1
Somerset	3
St. Mary's	1
Talbot	2
Washington	5
Wicomico	7
Worcester	3
<b>Total</b>	<b>149</b>



## State and Departmental Recommendations

- Align Maryland policies, regulations, and legislation to leverage Opportunity Zones
- Work with local jurisdictions on “One Stop” permitting
- Coordinate with federal, state, local government, developers and investors
- DHCD – update Qualified Allocation Plan (QAP) to provide multifamily housing incentives
- DHCD – provide loans and grants to leverage Opportunity Zone investments
- DHCD – establish information exchange to attract private sector capital

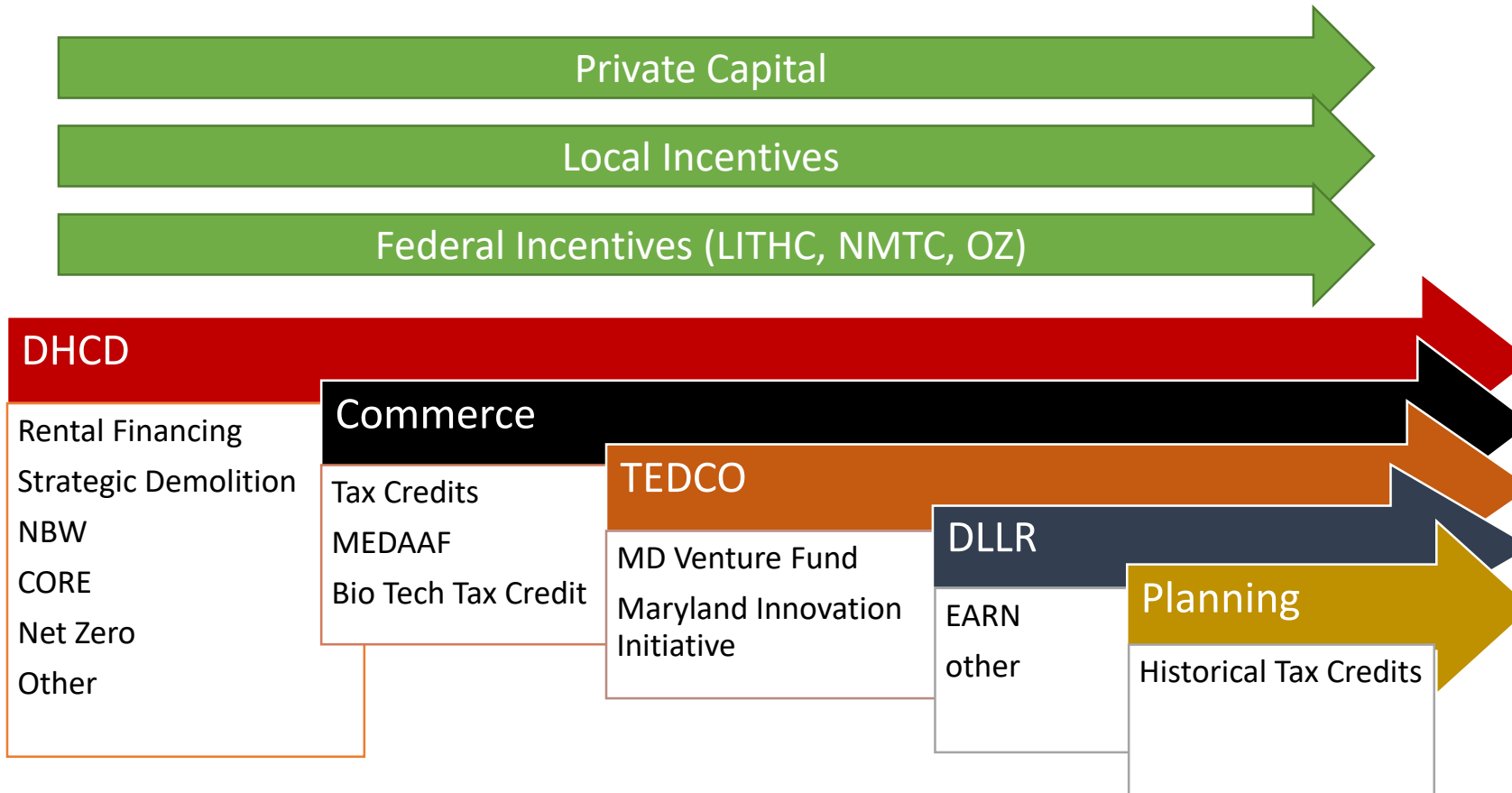
- In Maryland, both personal and corporate income taxes use federally calculated AGI as the starting point
- Maryland automatically conforms to the current federal tax code



#### Legend

<span style="display:inline-block; width:15px; height:15px; background-color:darkgreen; border:1px solid black;"></span>	Conforming - Rolling: The state automatically conforms to the current IRC as it is amended.
<span style="display:inline-block; width:15px; height:15px; background-color:lightgreen; border:1px solid black;"></span>	Conforming - Fixed Date: The state conforms to the IRC as of a specific date that is after the enactment of the Opportunity Zones legislation.
<span style="display:inline-block; width:15px; height:15px; background-color:yellow; border:1px solid black;"></span>	No Capital Gains: The state has no state income tax or generally does not tax capital gains.
<span style="display:inline-block; width:15px; height:15px; background-color:red; border:1px solid black;"></span>	Nonconforming: The state conforms to the IRC as of specific date prior to the enactment of the Opportunity Zones legislation or the state has specifically decoupled from the Opportunity Zones provisions of the IRC.

Source – Novogradac website



Project



Hi-tech business

DHCD's multiple funding programs can make a concentrated impact in OZs when combined with other State agencies and the private marketplace.

# Opportunity Zones – Information Exchange

- A virtual meet up for investors, fund managers, property developers, new or expanding businesses, and local stakeholders
- A bulletin board tracking OZ news and investment activity
- A project / business locator for interested investors
- A search tool for financial incentives based on address and/or area







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### Questions Contact:

Frank Dickson  
Director, Strategic Business Initiatives  
Department of Housing and Community Development  
[Frank.dickson1@maryland.gov](mailto:Frank.dickson1@maryland.gov)  
301.429.7425